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CALIFORNIA ECONOMIC INDICATORS
November/December 1997

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1981 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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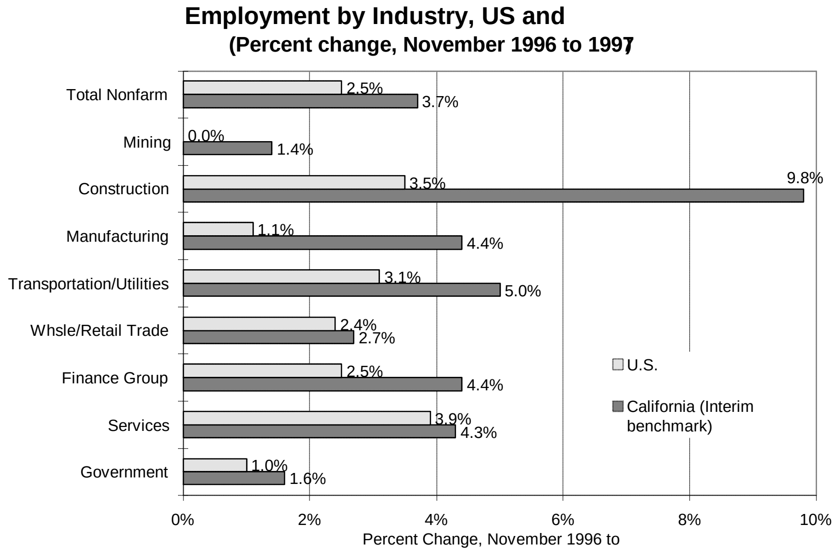
REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California's robust economic expansion continues, with few signs to date of any ill effects from the financial turmoil in parts of Asia.

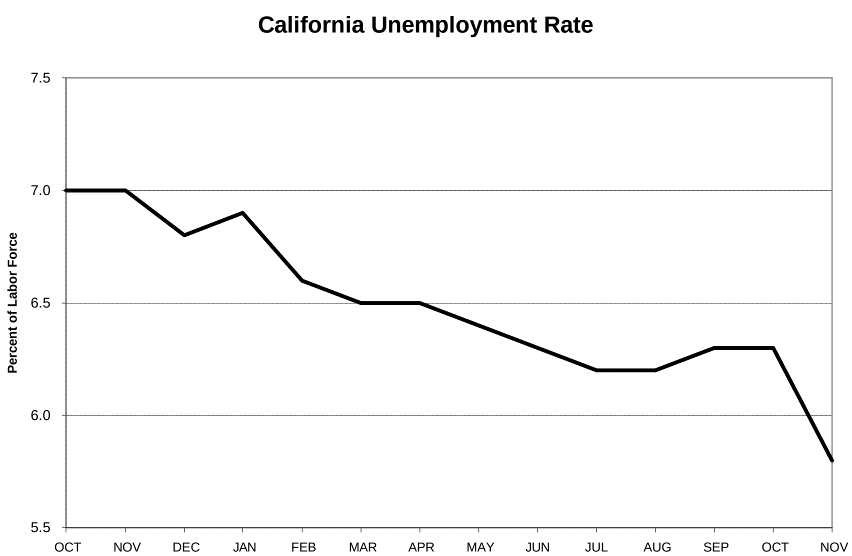


California's unemployment rate fell to 5.8 percent in November, down 0.6 percent from October—the largest one-month drop in 14 years. Following steady declines early in the year, the jobless rate had stagnated in the 6.3 to 6.4 percent range, seemingly at odds with continuing strong gains in employment. The November unemployment reading seems more in line with recent job trends.

Civilian employment, which is based on the same survey and methodology as the jobless statistics, reached a record 15 million in November, up by more than 400,000 from the year-earlier level.

Nonfarm employment, based on a separate survey of employers, grew by 30,000 during the month, but the annual gain of 338,000 fell short of the civilian survey. However, a related nonfarm employment series—the "interim benchmark", which incorporates quarterly payroll tax records as they become available—indicates a stronger annual growth of more than 450,000 jobs for the same period.

Importantly, export-oriented durable goods manufacturing accounts for 29,000 of the more than 100,000 additional jobs found in the payroll (interim) series compared to the survey (official) data. Retail trade employment, which had appeared unusually soft in the official survey-based series, is 35,000 higher based on this most recent payroll tax report.



The October-to-November increase of 30,000 jobs included 11,000 in retail trade (following an anomalous 1,000 drop in October) and 5,400 in manufacturing, About 900 of the factory jobs reflect the return to work of striking poultry-processing workers following a labor dispute. Services increased by 6,500; transportation and utilities by 1,500; and the financial group by 2,700, including a rare rise in banking. Government added 1,800 jobs despite a 2,800 drop in Federal Department of Defense employment.

Construction employment was flat during November, probably reflecting wetter-than-normal weather in many parts of California. Still, on a year-to-year basis, construction is the State's fastest-growing major job sector, up more than 8 percent based on the official data, and almost 10 percent—51,000 jobs—based on the interim series' more recent payroll tax data.

Homebuilding on the Rise. Up to now, solid gains in construction employment largely reflected the strength of nonresidential building activity. Led by commercial offices and industrial facilities, nonresidential permit values are up 28 percent from 1996 figures. Now, homebuilding is at last joining the construction upturn. In October, new housing permits were issued at an annual rate of nearly 137,000 units, the highest level in seven years.

The pickup in homebuilding is supported by a strong resale market. Existing home sales in October were above a 600,000 annual rate—a figure last seen in 1988. Home prices were up 10 percent statewide from comparable 1996 levels, and each of the California Association of Realtors' reporting areas posted home price increases over the year.

Strong Income Growth. California personal income continues to advance at a strong pace, with the third quarter estimate of $863.4 billion (at an annual rate), up 7.3 percent from the comparable 1996 reading. This rapid growth includes an 8-percent rise in wages and salaries, a more than 9-percent increase in proprietors' income, and a 14-percent jump in dividends.

Transfer payments—mainly government payments to individuals, including welfare, unemployment insurance, Social Security, Medicare and MediCal—were up only 1.7 percent from last year, the smallest increase in over 60 years. Sharp declines in welfare caseloads, falling unemployment and low inflation are combining to sharply curtail growth in this segment of income.

Quarterly Personal Income in California
($ Billions at Annual Rates)

	1996:3	1997:1	1997:2	1997:03	Annual Percent Change
Total Personal Income	804.8	846.2	856.0	863.4	7.3%
Wages and Salaries	436.7	463.0	469.1	471.9	8.1%
Other Labor Income	47.5	50.9	51.6	51.8	9.1%
Proprietor's Income	80.7	86.7	87.5	88.3	9.4%
Farm	3.5	4.1	3.9	4.1	17.1%
Nonfarm	77.2	82.6	83.6	84.2	9.1%
Dividends	34.4	36.9	37.9	39.3	14.2%
Interest	90.2	94.5	95.8	97.6	8.2%
Rent	28.6	29.0	29.1	29.0	1.4%
Transfer Payments	125.9	127.2	127.6	128.1	1.7%
Less: Contrib. for soc. ins.	38.4	41.2	41.6	41.8	8.9%
Plus: Residence Adjustment	-0.7	-0.8	-0.8	-0.8	nm

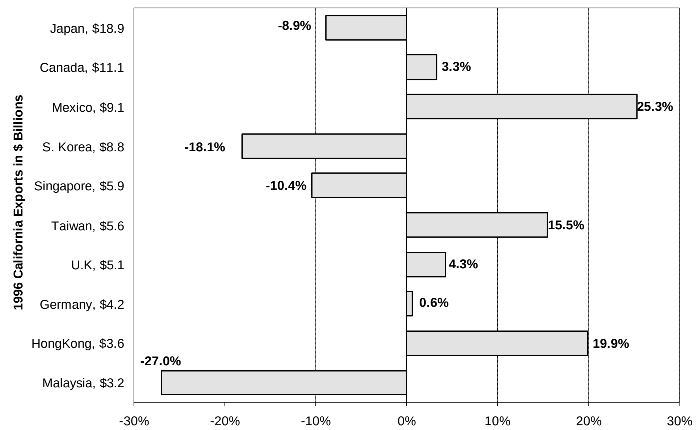
nm = not meaningful

RECENT EXPORT PERFORMANCE

California's economy depends on exports more than does the US economy as a whole. In 1996 (the most recent full year of available data), exports of goods made in California represented about 11 percent of Gross State Product (GSP). That year, US exports of goods were about 8 percent of Gross Domestic Product (GDP). If services are added—using the conservative assumption that the proportions between goods and services are the same for California as for the US—California would have exported over 15 percent of its GSP. Thus, a greater share of jobs, investment and personal income in California depends on foreign demand for exports.

Exports of California-Made Goods

First Half 1997 Percent Change from First Half 1996



Source: Massachusetts Institute for Social and Economic Research (MISER)

Exports continue to grow, but at reduced rates. Following growth of 18.9 percent in 1995 and 8.2 percent in 1996, exports are up 2.1 percent for the first six months of 1997 compared with the same period in 1996. The geographic distribution of changes is shown in the figure: Exports of California-Made Goods.

A note about types of trade data.

Exporter-Location Data form the basis for the discussion in this section. These are prepared by the Massachusetts Institute for Social and Economic Research from 'port activity' data compiled by the US Bureau of the Census .

The distinction between these is that port-activity data measure imports and exports through California's air, water and land connections to the rest of the world. The exporter-location data are refined from port-activity data for all US ports to isolate only those goods made in California.

While the exporter-location data are far from perfect in identifying the geographic source of goods exported, they are useful as a strong indicator of the markets and industrial composition of a significant share of the California economy.

Port-activity data are the only significant source of international import data and reflect strongly the economic activity of the ports themselves and the rest of the transportation industry.

Of California's top ten export destinations (who buy almost three-quarters of our total exports), three are up strongly: Mexico, Taiwan and Hong Kong. Three are up moderately: Canada, the UK and Germany. Four are down significantly: Japan, South Korea, Singapore and Malaysia.

Mexico is now California's third most important market and may replace Canada as the State's number-two market this year or next. Growth of almost 24 percent in 1996 was matched by growth of over 25 percent in the first half of 1997. Growth in exports to Mexico comprised almost 99 percent of all California export growth in the first half of 1997.

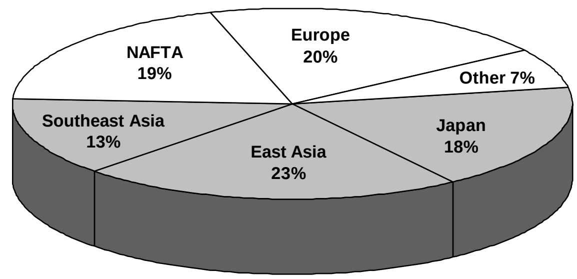
Mexico is an increasingly important market for both finished and intermediate goods made in California. Strong export performance reflects both Mexico's successful recovery from currency fluctuations earlier in the decade and its integration into NAFTA. Concerns exist that Mexico's growth may pause due to competitive pressures from Southeast Asia for production location decisions. The Asian currencies have experienced significant devaluation in relation to the Peso.

No major overall change in the total growth of exports to California's other major markets is anticipated in the near future. Some moderation of sharp declines to parts of East Asia can be expected. Similarly, high growth of exports to other East Asian countries is expected to moderate in the face of competition for production jobs and investment with low-growth countries who have experienced relative devaluation of currencies.

Asia is the export destination for over one-half of made-in-California goods. For comparison, the US export share is 30 percent of goods exports, dropping to 25 percent if California exports are excluded.

The massive devaluation of most East Asian currencies, combined with the wealth effects of sharp falls in real estate values and stock prices, almost certainly will impact California export growth. However for California, continued strong growth in Mexico coupled with an expected pickup in European demand should offset some of the weakness in Asia. Domestically, the sharp drop in interest rates accompanying the Asian situation will give an added boost to the state's fledging homebuilding recovery.

Asian Destinations Dominate Made-in-California Exports in 1996

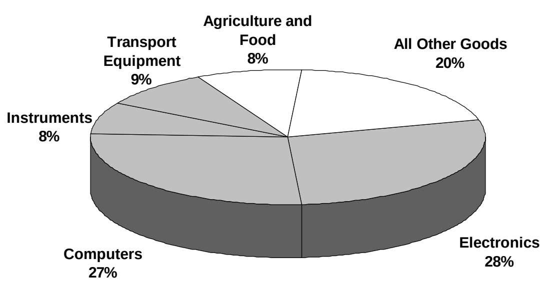


East Asia: China, Taiwan, Korea and Hong Kong
SE Asia: Indian Subcontinent, Indochina, Oceania, Australia and New Zealand
NAFTA: Canada and Mexico
Europe: includes Russia and Turkey
Other: Latin America, Africa, Middle East and Central Asian Republics

High technology equipment dominates California exports. The industrial composition of exports reveals that high-wage, high-technology industries dominate value measures of California exports. Of these, electronic equipment except computers (SIC 36) is the most significant two-digit Standard Industrial Classification category. While it comprises some finished goods, in California the category is dominated by electronic components used to build computers and similar final demand goods in overseas factories. Combined with the finished good equivalent (SIC 35, industrial and commercial machinery and computers), these two industry groups are responsible for more than one-half of California exports.

Transportation equipment—mainly aircraft in SIC 37 and instruments in SIC 38 are two additional high-technology, high-wage industries that account for significant shares of California exports. Together, these four high-technology industry groups represent almost three-fourths of California's exports.

Exports of High Technology Equipment Dominate California's Exports in 1996



California's concentration in these industrial sectors and geographic regions presents risks, but may produce benefits. Consumer demand is almost certain to decline or grow very slowly in Japan and in much of East and Southeast Asia. Some California companies which depend on consumer or investment demand for finished goods or capital equipment may find disappointing results over the coming period of adjustment.

Investment demand in these countries may be suppressed by uncertainties in credit markets. Even if financing becomes available, it would likely bear larger risk premiums than in the recent past. Thus, investment demand seems unlikely to sustain its very high level in these economies.

However, with risks come potential benefits to those companies with significant productive capacity in these economies. With devaluation, production costs will fall. In the increasingly internationally interdependent world of manufacturing, a significant share of California exports is of intermediate goods (especially electronic components), which are assembled into finished goods in Asia—for sale in the US, Canada, Europe or elsewhere.

EMPLOYMENT
(Seasonally adjusted)

	1997 Nov	1997 Oct	1997 Sep	1997 Aug	1996 Nov	Yr-Over-Yr % Change
Civilian employment (000)	15,000	14,930	14,911	14,925	14,595	2.8
Unemployment (000)	931	1,012	1,013	994	1,090	-14.6
Unemployment rate	5.8	6.4	6.4	6.2	6.9	--
Nonagricultural wage and salary employment a/ (000)	13,372.8	13,343.3	13,313.6	13,257.4	12,891.3	3.7
Mining	29.4	29.4	29.4	29.2	29.0	1.4
Construction	569.6	569.6	566.3	562.4	518.3	9.9
Manufacturing	1,938.3	1,932.9	1,930.6	1,927.2	1,856.3	4.4
High technology b/	527.3	526.1	524.7	524.5	503.5	4.7
Transportation and public utilities	676.8	675.2	673.6	647.6	644.8	5.0
Trade	3,084.7	3,073.3	3,074.2	3,070.8	3,003.5	2.7
Finance, insurance and real estate	769.9	767.2	764.8	764.4	737.8	4.4
Services	4,137.2	4,130.6	4,114.8	4,109.0	3,967.9	4.3
Government	2,166.9	2,165.1	2,159.9	2,146.8	2,133.7	1.6

HOURS AND EARNINGS IN MANUFACTURING

	1997 Nov	1997 Oct	1997 Sep	1997 Aug	1996 Nov	Yr-Over-Yr % Change
Average weekly hours c/	42.5	42.1	42.3	42.2	42.0	1.2
Average weekly earnings c/	$564.40	$556.14	$561.74	$558.31	$545.16	3.5
Average hourly earnings c/	$13.28	$13.21	$13.28	$13.23	$12.98	2.3

PRODUCTION

	1997 Aug	1997 Jul	1997 Jun	1997 May	1996 Aug	Yr-Over-Yr % Change
Petroleum (000 barrels daily) c/	948	942	941	929	943	0.5
Portland cement (000 short tons) c/	1,074	1,052	1,002	1,010	1,082	-0.7

TRADE
(Seasonally adjusted)

	1997 Sep	1997 Aug	1997 Jul	1997 Jun	1996 Sep	Yr-Over-Yr % Change
New auto registrations (number)	123,313	121,627	105,678	113,360	120,765	2.1

a/ Seasonally adjusted by the California Employment Development Department.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.

CONSUMER PRICE INDEX
(1982-84=100)

	1997				1996	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
All Urban Consumers Series						
California Average	161.7	161.9	161.2	160.5	158.3	2.1
San Francisco CMSA	162.6	162.5	161.6	161.2	156.9	3.6
Los Angeles CMSA	160.7	161.1	160.5	159.7	158.4	1.5
Urban Wage Earners and Clerical Workers Series						
California Average	156.0	156.4	155.6	155.0	153.0	2.0
San Francisco CMSA	159.5	159.5	158.6	158.1	154.2	3.4
Los Angeles CMSA	154.9	155.4	154.7	154.0	152.9	1.3

CONSTRUCTION

	1997				1996	Yr-Over-Yr
	Oct	Sep	Aug	Jul	Oct	% Change
Private residential housing units authorized (000) a/	134.1	120.1	121.7	115.4	105.1	27.6
Single units	100.3	90.7	86.9	87.5	77.8	28.9
Multiple units	33.7	29.4	34.8	27.9	27.2	23.7
Residential building authorized valuation (millions) b/	$1,930	$1,744	$1,583	$1,651	$1,440	34.0
Nonresidential building authorized valuation (millions) b/	$1,143	$1,061	$906	$990	$888	28.6
Nonresidential building authorized valuation (millions) c/	$1,129	$1,141	$1,022	$1,128	$878	28.5
Commercial	$402	$413	$315	$329	$288	39.4
Industrial	128	184	173	149	94	36.4
Other	147	90	119	168	115	28.3
Alterations and additions	452	455	414	482	381	18.4

VACANCY RATES FOR SEPTEMBER 1997
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern and Central California:				
Fresno	14.3	30.4	11.3	8.6
Oakland-East Bay	13.7	14.1	13.3	--
Sacramento	9.7	7.7	10.4	10.9
San Francisco	5.1	3.8	6.8	7.2
San Jose	2.4	4.2	1.9	--
Southern California:				
Bakersfield	13.0	12.6	13.2	--
Los Angeles	16.3	18.3	15.9	8.7
Orange County	10.9	--	10.9	--
San Diego	11.4	18.3	9.3	8.3
Ventura County	14.2	--	14.2	--
National Average	10.5	11.7	9.7	8.2

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted

Seasonal adjustment done by the California Department of Finance.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1996				1997			
Jan	$174,860	Jul	182,416	Jan	$175,630	Jul	192,630
Feb	170,860	Aug	180,825	Feb	167,790	Aug	194,390
Mar	175,980	Sep	179,740	Mar	177,740	Sep	193,760
Apr	178,540	Oct	174,450	Apr	181,220	Oct	192,070
May	179,100	Nov	175,500	May	185,010		
Jun	181,190	Dec	171,940	Jun	188,800		

LEADING INDICATORS a/

		Manufacturing Overtime Hours	Manufacturing Average Weekly Hours	New Business Incorporations
1996	Jan	4.5	41.4	4,325
	Feb	4.3	41.3	4,432
	Mar	4.3	41.3	4,337
	Apr	4.5	41.3	4,321
	May	4.4	41.3	4,293
	Jun	4.5	41.7	4,192
	Jul	4.4	41.4	4,488
	Aug	4.6	41.6	4,123
	Sep	4.7	41.7	4,245
	Oct	4.6	41.5	4,515
	Nov	4.7	41.7	3,894
	Dec	4.8	41.6	4,315
1997	Jan	4.8	41.6	4,704
	Feb	4.8	41.7	4,407
	Mar	5.0	42.2	3,599
	Apr	5.1	41.9	3,974
	May	5.0	41.8	4,449
	Jun	5.0	41.8	4,450
	Jul	4.8	41.9	5,118
	Aug	5.0	42.1	3,991
	Sep	5.0	42.0	4,767
	Oct	4.9	41.9	4,829
	Nov	5.0	42.2	n.a.

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1996	Jan	63,977	99.1
	Feb	66,380	87.2
	Mar	64,436	94.1
	Apr	63,520	93.8
	May	65,861	94.9
	Jun	65,249	87.2
	Jul	64,195	94.2
	Aug	64,805	94.0
	Sep	64,837	99.9
	Oct	64,009	105.1
	Nov	67,252	91.3
	Dec	70,553	88.0
1997	Jan	65,619	92.6
	Feb	58,605	124.1
	Mar	56,615	89.7
	Apr	58,343	99.2
	May	60,279	109.9
	Jun	62,012	105.0
	Jul	62,385	115.4
	Aug	62,383	121.7
	Sep	63,361	120.1
	Oct	61,922	134.1
	Nov	60,533	n.a.

a/ Seasonally adjusted by the California Department of Finance. n.a. Not available

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1996	Jan	12,591	1,826	7.6	464
	Feb	12,637	1,833	7.6	459
	Mar	12,660	1,838	7.5	444
	Apr	12,685	1,842	7.4	441
	May	12,742	1,851	7.3	438
	Jun	12,758	1,854	7.2	432
	Jul	12,793	1,857	7.1	434
	Aug	12,826	1,863	7.1	419
	Sep	12,840	1,862	7.1	420
	Oct	12,888	1,867	7.0	435
	Nov	12,931	1,870	6.9	433
	Dec	12,945	1,872	6.8	485
1997	Jan	12,960	1,870	6.9	451
	Feb	13,004	1,876	6.6	411
	Mar	13,053	1,883	6.6	378
	Apr	13,068	1,888	6.5	396
	May	13,107	1,891	6.4	356
	Jun	13,129	1,896	6.3	375
	Jul	13,143	1,898	6.2	390
	Aug	13,150	1,897	6.2	364
	Sep	13,207	1,901	6.4	383
	Oct	13,236	1,903	6.4	378
	Nov	13,266	1,909	5.8	377

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1995	Qtr I	746,938	84,527	73,137
	Qtr II	764,271	86,526	75,106
	Qtr III	771,578	88,242	75,873
	Qtr IV	774,953	88,960	76,568
1996	Qtr I	796,375	92,485	79,562
	Qtr II	803,284	92,170	80,350
	Qtr III	804,844	90,032	80,237
	Qtr IV	827,398	95,647	80,805
1997	Qtr I	846,248	98,932	83,424
	Qtr II	856,002	100,404	n.a.
	Qtr III	863,413	101,645	n.a.

OTHER INDICATORS a/

	DOD Prime Contracts b/ $ millions	DOD Prime Contracts b/ % of U.S.
1981-82	$22,685	21.8
1982-83	26,387	22.2
1983-84	28,520	23.0
1984-85	29,115	20.8
1985-86	27,738	20.4
1986-87	24,515	18.4
1987-88	23,458	18.7
1988-89	23,125	19.3
1989-90	22,312	18.4
1990-91	24,265	19.5
1991-92	23,843	21.2
1992-93	22,952	20.1
1993-94	22,573	20.5
1994-95	18,277	16.8
1995-96	18,230	16.7

		Electricity Production (Million KWH)
1996	Jan	8,918
	Feb	10,420
	Mar	9,923
	Apr	9,971
	May	10,302
	Jun	9,865
	Jul	10,051
	Aug	9,507
	Sep	9,079
	Oct	9,245
	Nov	8,673
	Dec	8,835
1997	Jan	9,219
	Feb	9,158
	Mar	9,179
	Apr	9,961
	May	10,286
	Jun	8,891
	Jul	9,090
	Aug	9,243

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department. DOD Prime Contract Awards is not seasonally adjusted.

b/ U.S. fiscal year: October through September

n.a. Not available

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included.

1990

January 8	Prime rate cut from 10-1/2 percent to 10 percent.
January 15	Campeau Corp. files for Chapter 11 bankruptcy-law protection.
February 13	Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection.
March 2	Amalgamated Transit Union strikes Greyhound Lines, Inc.
April 1	Federal minimum wage raised from $3.35 to $3.80.
July 27	Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent.
August 1	California gasoline and diesel fuel tax increase of 5 cents per gallon.
August 2	Iraq invades Kuwait.
September 9	California population reaches 30 million according to California Department of Finance.
November 30	Index of leading indicators declines for fourth month in a row.
December 1	Federal gasoline tax increase of 5 cents per gallon.
December 4	Federal Reserve cuts bank reserve requirements by $11 billion.
December 18	Discount rate cut from 7 percent to 6-1/2 percent.

1991

January 1	California gasoline and diesel fuel tax increase of one cent per gallon.
January 2	Prime rate cut from 10 percent to 9-1/2 percent.
January 12	Congress approves use of force in Iraq.
January 16	U.S. begins military action against Iraq.
February 1	Discount rate cut from 6-1/2 percent to 6 percent.
	Prime rate reduced from 9-1/2 percent to 9 percent.
	Carter Hawley Hale files for bankruptcy protection.
February 26	Iraqi troops withdraw from Kuwait.
February 27	President Bush orders a cease fire in the war against Iraq.
April 1	Federal minimum wage raised from $3.80 to $4.25.
April 23	Lockheed-Georgia awarded F-22 Air Force contract.
April 30	Discount rate cut from 6 percent to 5-1/2 percent.

1991--Continued

May 1	Prime rate reduced from 9 percent to 8-1/2 percent.
June 28	Sierra Madre earthquake in Los Angeles County.
July 15	Chemical Banking and Manufacturers Hanover agree to merge.
August 12	BankAmerica agrees to acquire Security Pacific, surpassing the Chemical/Manufacturers Hanover merger as the largest in the banking industry.
September 13	Discount rate cut from 5-1/2 percent to 5 percent, the lowest level since February 1973. Most major banks reduce prime rate from 8-1/2 percent to 8 percent.
October 20	Oakland Hills fire.
November 6	Discount rate cut from 5 percent to 4-1/2 percent. Prime rate cut from 8 percent to 7-1/2 percent.
December 18	GM announces plans to close 21 plants and cut 74,000 jobs by the end of 1995.
December 20	Federal Reserve cuts the discount rate from 4-1/2 percent to 3-1/2 percent. Prime rate reduced from 7-1/2 percent to 6-1/2 percent by many large banks.

1992

January 1	California gasoline and diesel fuel tax increase of one cent per gallon.
January 27	R.H. Macy files for Chapter 11 bankruptcy protection.
January 31	TWA files for bankruptcy protection.
February 10	Los Angeles floods
April 22	Palm Springs earthquake
April 25-April 26	Ferndale earthquakes
April 29-May 2	Los Angeles riots
June 28	Yucca Valley/Big Bear earthquakes
July 2	Federal Reserve cuts the discount rate cut from 3-1/2 percent to 3 percent, the lowest level since 1963. Prime rate cut from 6-1/2 percent to 6 percent.
August 24-August 26	Hurricane Andrew hits Florida and Louisiana.
August 27	General Motors closes Van Nuys plant, which employed 2,600 workers. The plant was Southern California's last remaining auto factory.
September 2	After a record 64 days without a state budget, Governor Wilson signs the 1992-93 state budget bill.
September 11	Hurricane Iniki hits the Hawaiian island of Kauai.

CHRONOLOGY--Continued

1993

January 1	California gasoline and diesel fuel tax increase of one cent per gallon.
February 17	President Clinton announces economic plan, which cuts defense spending by $188 billion from 1994 - 1998.
February 26	Bomb blast at the New York's World Trade Center
March 11	Seven California bases are included in the Department of Defenses announcement to close 31 major bases.
Summer	Great Flood of '93, from Minnesota to Missouri, caused an estimated $12 billion in damage and covered over 10 million acres. Clinton declared more than 200 counties federal disaster areas, including all 99 counties in Iowa.
August 11	President Clinton signed into law his economic program that calls for spending curbs and higher taxes to reduce projected federal budget deficit by $496 billion over a five-year period.
Fall	Thirteen wild fires raged Southern California, some attributed to arson. Five counties were declared disaster areas.
November 19	The North American Free Trade Agreement (NAFTA) is passed. Businesses anticipate expanded opportunities south of the border and increased jobs in the U.S.
December 10	Japan and the U.S. agreed on a plan to open Japan's markets to rice import.

1994

January 17	A destructive earthquake registering 6.8 on the Richter scale, centered in Northridge, struck Southern California at 4:31 a.m.
February 4	Federal funds rate raised from 3.0 percent to 3.25 percent, the first increase in five years.
March 22	Federal funds rate raised from 3.25 percent to 3.50 percent.
March 21-April 4	Stock market selloff reduces Dow Jones Industrials by 9.7 percent from January peak. Treasury 30-year bond yields 7.42 percent, up from 5.79 percent in October. Fixed rate mortgages exceed 8 1/2 percent, compared to 6.8 percent in October, 1993.
April 18	Federal funds rate raised from 3.50 percent to 3.75 percent.
May 17	Federal funds rate raised from 3.75 percent to 4.25 percent.
August 16	Federal funds rate raised from 4.25 percent to 4.75 percent.
November 15	Federal funds rate raised from 4.75 percent to 5.5 percent.
December 2	Congress approved the General Agreement on Tariffs and Trade (GATT). The GATT accord cuts tariffs globally by roughly 40%, extends intellectual-property rights and tightens rules on investment and trade in services.

CHRONOLOGY--Continued

1994-Continued

December 7	A leveraged investment strategy led to huge losses for an Orange County, California, investment fund. The County filed for bankruptcy protection, the largest such municipal filing ever.

1995

January	U.S. trade deficit soared by 68 percent to $12.2 billion.
January 31	The Clinton Administration announced a program of loans and currency swaps to prop up the Mexican peso. The plan will utilize existing authority and will involve several international agencies. The peso has been devalued by more than 40 percent against the U.S. dollar since early December.
January-March	California was battered by its worst series of storms since 1986. Severe floods forced the evacuation of thousands of residents and caused an estimated $2 billion of damage making it the costliest winter storm in the history of the State.
February 12	Federal funds rate raised from 5.5 percent to 6 percent.
February 24	Dow Jones Industrial average topped the 4000 mark.
March 10	McDonnell Douglas won a $910 million order for at least 30 Apache attack helicopters from the Royal Netherlands Air Force.

1995--Continued

March 13	China and the U.S. reached agreements that should further open Chinese markets to U.S. agricultural production. China also agreed to lift suspension of a 1992 market-access accord and open discussions on allowing U.S telecommunications and insurance services into the country.
March 15	Boeing won a $1.17 billion order for its 737-600 airliners from Scandinavian Airlines.
March-April	Dollar hits post WW II lows against the yen and mark.
April 19	Bomb blast at an Oklahoma City federal building.
April 30	President Clinton announced a cutoff of all trade by U.S. companies with Iran.
May 22	NASA intends to cut 28,860 jobs and consolidate space-shuttle activities under a single contractor within the next five years.
May 24	Boeing plans to cut 5,000 more jobs this year than previously projected, bringing the total to 12,000 by year-end.
June 5	Boeing won at least two-thirds of a $6 billion commercial-jetliner order from Saudi Arabian carrier Saudia, with the remainder going to McDonnel Douglas Corporation.
July 6	Federal funds rate reduced from 6 percent to 5.75 percent.

CHRONOLOGY--Continued

1995--Continued

October	Florida's panhandle was hit hard by Hurricane Opal.
	Boeing Co. union machinists strike.
November 14- November 19	Budget impasse caused partial federal government shutdown and furlough of non-essential federal employees.
November 15	Boeing won a $12.7 billion order from Singapore Airlines.
November 20	Dow Jones Industrial average topped the 5000 mark.
December 4	President Clinton authorized a vanguard of U.S. troops to move into Bosnia. The advance troops will set up headquarters in preparation for thousands more U.S. soldiers to follow.
	Strikers at Caterpillar rejected a proposed six-year contract, but the United Auto Workers union called an end to the 17-month walkout anyway.
December 19	Federal funds rate reduced from 5.75 percent to 5.50 percent.

1996

December 18- January 7	The federal government shut down partially again as budget talks stalled.
January 3	AT&T will eliminate at least 40,000 jobs over the next three years as part of its plan to split into 3 companies.
January 8-10	Blizzard paralyzed the East Coast.

1996—Continued

January 25	Wells Fargo & Co. will merge with First Interstate Bancorp.
January 31	Federal funds rate reduced from 5.50 percent to 5.25 percent.
February 8	President Clinton signed a landmark telecommunications bill into law.
February 9	Boeing Co. intends to fill 7,000 new jobs by early 1997 in its rebounding commercial-jet division.
March-June	Gasoline retail prices in California increased by 28 percent--sharply higher than the sizable nationwide increase of about 12 percent.
March 6- March 22	United Auto Workers strike at General Motors Corp.'s brake-parts plants in Dayton Ohio.
April 1	Pacific Telesis, parent of Pacific Telephone, agreed to be acquired by San Antonio based SBC (formerly Southwestern Bell).
April 23	Bell Atlantic and Nynex agreed to merge.
May 14	The California Public Employees Retirement System reached the $100 billion mark.
June 5	Packard Bell and NEC will merge their personal computer operations creating one of the largest PC makers in the world
July 3	Lockheed Martin won the $1 billion federal contract to build a prototype for a next-generation space shuttle.

CHRONOLOGY--Continued

1996—Continued

July 12	Hurricane Bertha hits the North Carolina coast.
July 29	First Nationwide Bank will acquire Cal Fed Bancorp Inc. creating the nation's fourth largest savings and loan association.
July 30	Standard & Poor's raised California's credit rating to an A+ from an A.
August 1	Rockwell International Corp. agreed to sell most of its aerospace and defense businesses to Boeing Co.
	Aerojet landed a $30 million contract that gives it a role in developing the nation's next-generation space shuttle.
August 5	PacificCare Health Systems Inc. will buy competitor FHP International Corp. making it the second largest managed care organization in California.
August 10	A massive disruption in a sprawling power system triggered a widespread electricity outage affecting millions of people in parts of at least nine Western states.
September 5	Hurricane Fran hits Carolina coast.
October 1	Federal minimum wage raised from $4.25 to $4.75.
October 14	Dow Jones Industrial average topped the 6000 mark.

1996—Continued

December 13	Countries representing most of the world's high-technology trade agreed to abolish tariffs on computers, software and related goods.
December 16	Boeing Co. agreed to acquire McDonnell Douglas Corp.
December 23	Apple Computer Inc. will buy Next Software for $400 million.

1997

Winter	Rivers in the West overflowed as rain and melting snow brought flooding in the Northwestern states, California and Nevada.
	The flooding has cost California's agricultural industry $155 million so far, according to state officials.
January 13	Faced with unprecedented demand for new phone lines for Internet surfers and home offices, Pacific Bell will hire more than 2,500 employees in California.
January 14	Kaiser is consolidating its Northern and Southern California operations into a single division in a move to streamline operations and cut costs.
January 15	Mexico announced that it will repay U.S. loan three years ahead of schedule.
January 16	General Motor's Hughes Electronics will be acquired by Raytheon Corp.

1997—Continued	
January 20	Banc One Corporation agreed to buy First USA Inc. making it the nation's third largest credit card company.
January 29	U.S. Treasury issues the first $7 billion in 10-year inflation-indexed notes.
February 5	Morgan Stanley and Dean Witter, Discover have agreed to merge.
February 13	Dow Jones Industrial average topped the 7000 mark.
February 19	U.S. trade deficit hits 8-year high.
February 26	3Com Corporation will buy U.S. Robotics.
March 1	California's minimum wage raised from $4.75 to $5.00.
March 7	Federal 10 percent tax on airline tickets was reimposed.
March 20	U.S. Bancorp agreed to be acquired by First Bank System.
March 25	Federal funds rate raised from 5.25 percent to 5.50 percent.
April	The nation's unemployment rate falls to a 24-year low.
April 1	SBC's plan to acquire Pacific Telesis was approved by California regulators.

1997—Continued	
April 30	First quarter GDP grew at a robust 5.6 percent fueled by a big inventory buildup, warm weather and the biggest rise in consumer spending in ten years.
	Boeing won an order from Russia's Aeroflot, its first big push into one of the world's untapped markets.
May 28	Shortages have pushed coffee prices to a 20-year high.
July 1	China regained sovereignty over Hong Kong.
July 4	Lockheed Martin agreed to buy Northrop Grumman.
July 7	British Telecom's planned acquisition of MCI was approved by the U.S. Justice Department.
July 16	Dow Jones Industrial average topped the 8000 mark.
August 4	The European Commission formally cleared the merger of Boeing and McDonnell Douglas.
August 4-18	Teamsters union strike against United Parcel Service.
September 1	California's minimum wage raised from $5.00 to $5.15.
September 5	Major airlines raised ticket prices by five percent nearly across-the-board.

CHRONOLOGY--Continued

	1997—Continued
September 18	Coopers & Lybrand agreed to merge with Price Waterhouse.
September 24	Travelers Group agreed to buy Salomon Brothers.
October 17	Ernst & Young agreed to merge with KPMG Peat Marwick.
October 27	The Dow Jones Industrial average posted its worst one-day point loss ever. The relentless selling drove the industrial average down 554.26 points, or 7.18 percent.
November 21	Yamaichi Securities, Japan's no. 4 securities firm will shut down, it's largest corporate failure since WWII.
December 3	South Korea agreed to a broad dismantling of its interlocked financial and industrial system as the price for a record $55+ billion IMF bailout.
November - Present	Asia's crashing currencies are rapidly destroying the financial health of the regions. The Indonesian rupiah and Korean won have lost more than half their value against the U. S. dollar this year.
December 19	California's jobless figure fell sharply to 5.8 percent in November, the lowest in over seven years.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1991

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	March	1991	92	8	100